

Ministry of Oceans and Fisheries (MOF):

Emergency Financial Support Measures for Shipping Companies in Korea-China Routes

- KRW 60 billion emergency fund support, port facility fee reduction and other COVID-19 countermeasures were presented during the second round of briefing on “Emergency support polices for shipping sector” -

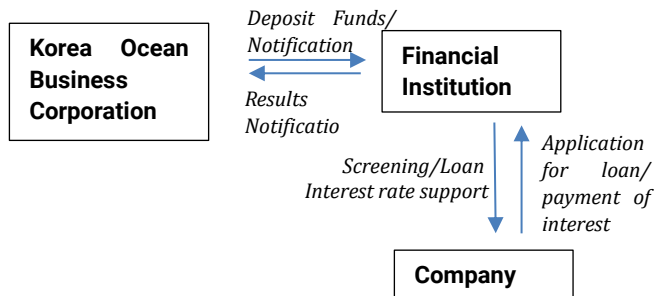
- ◆ On February 17 during the joint meeting “The 6th Economic Relations Ministerial Meeting and the 5th Economic Vitality Meeting”, the Ministry of Oceans and Fisheries (Minister Moon Seong-hyeok) presented “COVID-19 Emergency Support Measures for Aviation and Shipping Sectors”.
- ◆ Since January 30, due to the spread of COVID-19 virus all Korea-China passenger transportation routes have been stopped. Sales of passenger carries on these routes, as well as of commercial companies operating in international passenger terminals have been falling sharply. The economic slowdown in China caused the decrease in Korea-China trading volumes. Reduced operations in the shipyards have been causing delays in the ship repairs which threatens sales decrease for cargo carriers.
- ◆ Accordingly, to minimize the business deterioration of related industries, government has decided to provide support measures such as emergency management funds, reduction of port facilities rental fees, extension of the vessel inspection certification.
- ◆ In addition, to secure domestic ports competitiveness, the government implemented measures of active support to domestic ports affected by the delay in logistics in China, by providing alternative storage sites and supporting transshipment.

< Passenger Sea Transportation Sector >

- ◆ The government will provide emergency management funds, reduction of port facilities fees and financial support for the companies affected by the suspension of passenger transportation such as passenger carriers and tenants of international port terminals.
- ◆ First, providing KRW 30 billion emergency stability funds to passenger ship companies. The financial institution will provide operational loans to the passenger carrier company, those funds will be transferred to the financial institution from the Korea Ocean Business Corporation*. Any company amongst 14 passenger carries whose operating routes were suspended is eligible to apply for funding, the maximum support amount is KRW 2 billion per company.

* The Korea Ocean Business Corporation does not receive interest on funds deposited to financial institutions, instead financial institution cuts same interest on the borrowers (company) loan.

<Business Structure Proposal>



Korea Ocean Business Corporation		Financial Institution	
Deposit scale	Up to KRW 30 billion	Loan Scale	Up to KRW 30 billion
		Loan limit (per 1 company)	Up to KRW 2 billion (depending on credit rating)
Period	1 year (extension possible)	Loan Period	1 year (extension possible)
		Preferential interest rate	Generally, around 2%

- ◆ Second, the burden of passenger shipping companies will be alleviated by further reduction in port facility fees* up to 70%** during the period of no passenger transportation. Even after the partial resumption of the passenger transportation, additional fee reduction of 30%*** is planned to be provided until the infection alert level turns off completely.

* Fees paid to port authorities for use of port facilities

** Complete suspension of passenger transportation (January 28~ Partially resume): (Currently) 30% reduction (annually around KRW 3 billion) → (Improvement) 100% reduction (additional annual reduction of about KRW 8.5 billion)

*** Partial reopening of passenger transportation (partial reopening ~ infection alert removal): (Currently) 30% reduction (annually around KRW 3 billion) → (Improvement) 60% reduction (additional annual reduction of approximately KRW 3 billion)

- ◆ Third, the commercial property rental fee*s will be also reduced for tenants of the international passenger terminals whose sales were heavily affected by the passenger transportation suspension. The plan is to reduce them up to 100% during the complete transportation suspension and up to 50% from the partial route resumption until the infection alert level will be off.

* (Current) KRW 42.5 billion per year (Incheon 34, Gunsan 8.5)

< Cargo Transportation Sector >

- ◆ In order to help shipping companies maintain the smooth cargo operations, measures such as emergency liquidity support and extension of the validity of ship inspection certificates have been implemented.
- ◆ First, for the vessels receiving financial support from The Korea Ocean Business Corporation, principle and interest on S&LB* payments are waived until the infection alert level is off. If the current situation continues longer than 3 month and the cargo shipping volume between Korea-China continues to decrease, additional liquidity will be provided to the shipping companies through strengthened** S&LB.

* Sale & Lease Back: ship owning company sells a vessel and leases it back to fund the liquidity

** (Current) LTV 70 ~ 80% → (Improvement) LTV 80 ~ 90%/Additional interest rate cuts (In 2020, Korea Ocean Business Corporation's S& LB budget is KRW 100 billion, but will be expanded if necessary)

- ◆ Second, financial support is promoted for shipping companies affected by delays in ship repairment and scrubber installation in China caused by the operation slowdown in Chinese shipyards. To avoid the overdue of the ship inspection period caused by the repairment delay, the government extends (from February 5) the validity of the existing inspection certificates by 3 months*

* In case, the inspection certification expires in the inevitable circumstances while ship is being moved to the inspection facility, the period is extended for 3 months (Article 6 of the Enforcement Decree of the Ship Safety Act)

<Port Operations Sector >

- ◆ Korea-China trade volume was about 2.2. billion tons in 2019, which accounted to 16.8% of the overall Korean trading volume. Government plans to prepare for the changes in cargo trading volume by promoting measures such as securing alternative container storage sites and supporting transshipment.
- ◆ First, in case of the temporally increase of volumes in domestic ports due to the logistic delays in China, the use of unused berths and empty container yards and alternative container storage sites in the hinterland will be allowed. In the prolonged scenario, fees reduction will be provided for the alternative container storage sites and the yards will be feely open.
- ◆ Second, for the port terminals affected by the decrease in cargo volume due to slowdown in operation of Chinese factories, the emergency stability funds will be provided. If the

current situation persists longer than 3 months and the trading volume will continue to decrease, The Korea Ocean Business Corporation will provide financial support in the similar manner* as to the passenger carries.

* Scale: Total KRW 30 billion (maximum KRW 2 billion per company) / Interest rate: around 2% / maturity: 1 year

- ◆ Third, to prepare for the decrease in the total trading volume, additional support for the transshipments will be provided. For the companies creating new trading volume during COVID-19 outbreak, port authorities plan to provide* additional incentives within a 10% of sales per port. The Ministry of Oceans and Fisheries (MOF) considers a plan for minimizing ITT costs** and for supporting shipping companies by covering part of that costs.

* Port Authority provides incentives for shipping companies that attract new trading volumes ('19 271 billion won)

① Maximum scale: (Busan Port) KRW 14.3 billion, (Yeosu Port) KRW 1 billion, (Incheon Port) KRW 2.5 billion, (Ulsan Port) KRW 0.35 billion

② Method: Provide volume incentives to shipping companies that have created new volumes during the COVID- 19 period

** ITT: Inter Terminal Transport

- ◆ Besides this, in order to support* the employment, the Ministry of Employment and Labor has decided to provide employment subsidy (up to 180 days annually). Additionally, port transportation related business such as ship suppliers, refueling companies etc. whose sales are likely to be affected, have been included in the Ministry of the SME and Startups list of eligible companies for receiving emergency stability funds to cover their emergency liquidity needs.

* Over 20% of the total working hours or over 1 month

- ◆ After the policy announcement on the same day at 4 pm, MOF Minister Moon Seong-hyeok, held a meeting with sea shipping companies, terminals and related organizations to explain in more detail about the newly implemented support measures and discuss suggestions from the industry.
- ◆ MOF Minister Moon said: "Suggested emergency support measures, will help to resolve management difficulties of related business and help in maintaining a steady port transportation system". "Through the close cooperation with other ministries and related organizations we will closely monitor the smooth implementation of supporting measures and will be ready to implement a step-by-step plan of countermeasures in case the situation prolongs".